

2003 ANNUAL REPORT

Joint Enforcement Strike Force on the Underground Economy

A Report to the California Legislature

Employment Development Department

June 30, 2004

This report was prepared by the Tax Branch of the California Employment Development Department

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EXECUTIVE SUMMARY

This report provides a summary of activities and outcomes from the Joint Enforcement Strike Force in accordance with Section 329(d) of the California Unemployment Insurance Code (CUIC).

In October 1993, an Executive Order was established forming the Joint Enforcement Strike Force on the Underground Economy (Strike Force) to combat the underground economy by pooling resources and sharing data among the State agencies charged with enforcing licensing, labor, and tax laws.

On January 1, 1995, Section 329 was added to the CUIC, which placed the provisions of the Executive Order into law. Strike Force members are the Employment Development Department (EDD), which is the lead agency, Department of Consumer Affairs (DCA), Department of Industrial Relations (DIR), Franchise Tax Board (FTB), Board of Equalization (BOE), and Department of Justice (DOJ). Assembly Bill 202 (Chapter 180, Statutes of 2001) added the Department of Insurance (DOI) as a member of the Strike Force effective January 1, 2002.

The Underground Economy affects businesses and workers throughout the State of California. Businesses participating in the underground economy by paying cash to avoid taxes and other required payments such as Workers' Compensation Insurance and Unemployment Insurance are able to undercut their competition and gain a competitive advantage over other businesses that report and pay their fair share. When a business operates in the underground economy, its workers may have difficulty qualifying for Workers' Compensation Insurance coverage, State Disability Insurance, or Unemployment Insurance benefits when otherwise eligible.

The goals of the Strike Force are to:

- Eliminate unfair business competition.
- Protect workers by ensuring that they receive all benefits to which they are entitled by law relating to wages and hours, health and safety, and income replacement.
- Protect the consumer by ensuring that all businesses are properly licensed and that they adhere to the State's consumer protection regulations.
- Reduce the burden on law-abiding citizens by ensuring that all businesses and individuals comply with the State's licensing, regulatory, and tax laws.
- Increase voluntary compliance with the State's tax laws to maximize the State's General and Special Fund revenue.

There are four major program areas that comprise the Strike Force:

1. The Employment Enforcement Task Force
2. The Construction Enforcement Project
3. The Janitorial Enforcement Project
4. The Targeted Industries Partnership Program

The Strike Force's efforts resulted in identification of unreported wages, issuance of citations for violations of the Labor Code, and assessments of various payroll taxes owed and associated penalties and interest. This Executive Summary provides outcomes of the four major program activities.

The Employment Enforcement Task Force (EETF)

The EETF was the first joint enforcement project created by the Strike Force. Participating agencies include EDD and DIR with strong support from the Contractors' State License Board (CSLB) within DCA. The EETF agents from each agency jointly conduct on-site investigations of businesses by interviewing owners, managers, and workers to determine if businesses are in compliance with payroll tax, labor, and licensing laws. To minimize the disruption of compliant businesses, EETF conducts investigations only if there is reasonable belief of violations of the CUIIC, Labor Code, and/or the Business and Professions Code.

In 2003, EETF conducted 582 investigations revealing \$61,169,142 in unreported wages. These investigations resulted in \$3,078,300 in Labor Code citations and \$7,558,369 in EDD assessments.

The Construction Enforcement Project (CEP)

The CEP was established in 1994 to develop new techniques to detect noncompliance in the construction industry. On-site investigation techniques were not as effective in the construction industry, because, unlike other industries which have permanent business locations, construction businesses frequently change job sites.

The EDD auditors continuously update their knowledge and understanding of common business practices, terminology, typical ratios of material purchases to labor costs, and any other technical information unique to the construction industry.

In 2003, the CEP referred 293 cases to the audit program revealing \$99,071,093 in unreported wages. These referrals resulted in \$12,387,778 in EDD assessments.

The Janitorial Enforcement Project (JEP)

The JEP was initiated by Assembly Bill 613 (Chapter 299, Statutes of 1999) which required the Strike Force to include the janitorial and building maintenance industry as a targeted industry beginning in State Fiscal Year (SFY) 2000/01.

The EDD became aware of worker abuses in the janitorial industry in 1998 due to complaints filed by competitors citing unfair competition with cash pay janitorial firms. Nineteen businesses were assessed \$3,853,054 in unpaid payroll taxes, penalty, and interest charges for 1998 and 1999. In addition, 598 unreported employees were discovered. This early work proved that significant noncompliance existed in the janitorial industry in Southern California. Staff from EDD's Underground Economy Operations (UEO) were assigned to identify the major janitorial companies in Southern California and the typical schemes used to avoid payroll taxes. The UEO staff developed working relationships with the Pacific Association of Building Service Contractors, the Maintenance Cooperation Trust Fund, and the Service Employees International Union to develop leads, learn about the industry practices, and improve compliance within the industry.

In 2003, JEP made 26 referrals to EDD's audit program revealing \$14,960,473 unreported wages. The EDD audits conducted on JEP cases resulted in \$1,387,451 in EDD assessments.

The Targeted Industries Partnership Program (TIPP)

The TIPP was established in 1992 as a multi-agency enforcement and educational program targeting the garment manufacturing and agricultural industries. The original TIPP partners include the United States Department of Labor (DOL), Wage and Hour Division; DIR, Division of Labor Standards Enforcement (DLSE); and Division of Occupational Safety and Health Strike Force. Staff from EDD were added to TIPP in 1996, and EDD's participation in TIPP has been limited primarily to the garment manufacturing industry.

In 2003, EDD participated in 128 TIPP investigations revealing \$57,204,869 in unreported wages. In addition, DIR issued labor code citations in the amount of \$616,152. The EDD audits conducted on TIPP referrals resulted in \$7,778,466 in EDD assessments.

In total, the Strike Force's efforts resulted in the following accomplishments in 2003:

- Participated in 710 investigations.
- Identified \$232,405,577 in unreported wages.
- Identified 14,506 unreported employees.
- Issued citations for violations of the Labor Code in the amount of \$3,704,452.
- Conducted 856 payroll tax audits.
- Issued assessments for various payroll taxes owed and associated penalties and interest in the amount of \$29,112,064.

Collectively, these efforts provide additional general fund and special fund revenues through subsequent collection activities, insure that workers receive the benefits they are entitled to by law, and provide a deterrent to employers who may consider moving into the underground economy thereby promoting voluntary compliance.

BACKGROUND

Joint Enforcement Strike Force

On October 26, 1993, the Strike Force was established by Executive Order W-66-93. The purposes of the Strike Force are to enhance the development and sharing of information necessary to combat the underground economy; to improve the coordination of enforcement activities; and to develop methods to pool, focus, and target the enforcement resources of all members in support of the enforcement activities of individual agencies.

Subsequent legislation, SB 1490 (Chapter 1117, Statutes of 1994), codified the Executive Order by enacting Section 329 of the CUIIC and established a January 1, 2000, sunset date. The SB 319 (Chapter 306, Statutes of 1999) extended the sunset date to January 1, 2006. Member agencies include EDD, DIR, DCA, FTB, BOE, and DOJ. The EDD Director is the chairperson. Lastly, Assembly Bill 202 (Chapter 180, Statutes of 2001) added DOI as a member of the Strike Force effective January 1, 2002.

The Strike Force focuses on implementing joint enforcement projects among member agencies. At its inception, EETF initially focused on joint enforcement of payroll tax, labor, and licensing laws in the automotive repair, garment manufacturing, and construction industries. Since that time, the focus has expanded to include bars, restaurants, nightclubs, furniture manufacturers, adult entertainment establishments, bakeries, produce markets, car washes, pallet repair businesses, cabinet manufacturers, janitorial, and the building maintenance industry.

A system for identifying businesses that are suspected of operating in the underground economy was designed and implemented. There are four major sources of leads: hotline calls, other government agencies, industry contacts, and the Strike Force staff.

Strike Force staff also recognized the need to combine an ongoing educational program with enforcement activities. Staff have conducted outreach presentations to business and labor organizations throughout the State and to representatives of local government agencies. These presentations informed a large number of people about Strike Force activities and continue to be an excellent source for leads.

The goals of the Strike Force are to:

- Eliminate unfair business competition.
- Protect workers by ensuring that they receive all benefits to which they are entitled by law relating to wages and hours, health and safety, and income replacement.
- Protect the consumer by ensuring that all businesses are properly licensed and that they adhere to the State's consumer protection regulations.
- Reduce the burden on law-abiding citizens by ensuring that all businesses and individuals comply with the State's licensing, regulatory, and tax laws.
- Increase voluntary compliance with the State's tax laws to maximize the State's general and special fund revenue.

A summary of information required by Section 329 of the CUIC is included in this report.

California Labor and Workforce Development Agency

Beginning July 2002, with the creation of the cabinet-level California Labor and Workforce Development Agency (Agency), coordination and cooperation between departments within the Agency were greatly improved. The Agency consists of the Agricultural Labor Relations Board, California Unemployment Insurance Appeals Board (CUIAB), California Workforce Investment Board, DIR, EDD, and the Employment Training Panel.

The Agency was formed to:

- Simplify and improve operation of programs that protect and provide services to California's workers and employers.
- Eliminate duplication, achieve cost efficiencies, and promote accountability and program access.

The Agency began a comprehensive strategic planning effort, which identified three initiatives relative to labor law enforcement:

- Improve the coordination and effectiveness of labor law enforcement.
- Develop internal case management systems.
- Improve information sharing between agency programs and the public.

Strategic planning workgroups are improving audit activities within DIR's Division of Labor Standards Enforcement and EDD, improving case referrals for criminal prosecutions, creating a system to refer leads among State enforcement programs, and developing a cross-training program for all Agency enforcement staff. Areas for improvement will continue to be identified and addressed in the Agency's ongoing strategic planning process.

Underground Economy

"Underground economy" is a term that refers to those individuals and businesses that deal in cash and/or use other schemes to conceal their activities and their true tax liability from government licensing, regulatory, and taxing agencies. Underground economy is also referred to as tax evasion, tax fraud, cash pay, and payments under-the-table or off-the-books.

The actual size of the underground economy is difficult to measure; however, in February 1995, American Demographics estimated for the Internal Revenue Service that there was over \$1 trillion in unreported income in the United States. The General Accounting Office (GAO), the investigative arm of the United States Congress, conducted a study of tax year 1992 and found the federal tax gap to be \$177 billion. If everyone paid his or her fair share of income tax, the GAO estimated that there would be a 25 percent reduction in personal income tax.

A 1993 study by Wells Fargo Bank estimated over \$140 billion in unreported income and \$3 to \$6 billion in lost revenue for the State of California.

A recent report published by the Economic Round Table (a nonprofit, public-policy research organization in Los Angeles) states at least 28 percent of the workforce in Los Angeles County is engaged in the underground economy. This translates into \$1.1 billion in lost payments to the Social Security Administration, Workers' Compensation Insurance premiums, and unemployment insurance contributions per year.

Reports on the underground economy indicate it imposes significant burdens on: (1) the State of California, (2) businesses that comply with the law, and (3) workers who lose benefits and other protections provided by State law when the businesses they work for operate in the underground economy.

When businesses operate in the underground economy, they gain an unfair competitive advantage over businesses that comply with various business laws. This causes unfair competition in the marketplace and forces law-abiding businesses to pay higher taxes and expenses.

Workers of businesses who do not comply are also affected. Their working conditions may not meet the legal requirements, which can put them in danger. Their wage earnings may be less than those required by law, and benefits they are entitled to can be denied or delayed because their wages are not properly reported.

Consumers can also be affected when contracting with unlicensed businesses. Licensing provisions are designed to ensure minimum levels of skill and knowledge to protect the consumer.

The ultimate impact of the underground economy is erosion of the economic stability and working conditions in this State.

JOINT ENFORCEMENT PROJECTS

The Strike Force is empowered to form joint enforcement teams to utilize the collective investigative and enforcement capabilities of the participating members. Four Strike Force joint enforcement projects (EETF, CEP, JEP, and TIPP) are discussed below.

Employment Enforcement Task Force (EETF)

The EETF was the first joint enforcement project created by the Strike Force. Participating agencies include EDD and DIR with strong support from the CSLB within DCA. The goal of EETF is to identify and bring into compliance those individuals and businesses in the underground economy that are in violation of payroll tax, labor, and licensing laws. In 1994, EETF focused on the construction, automotive repair, and garment manufacturing industries. During the next three years, bars, restaurants, nightclubs, furniture manufacturers, adult entertainment establishments, bakeries, produce markets, car washes, pallet repair businesses, and cabinet manufacturers were added to the target group. In late 1999, the janitorial and building maintenance industry was added to the target list. Although EETF focuses on industries known to have a high degree of noncompliance, investigations of businesses not included in the target group are also conducted when underground economy activity is suspected.

The EETF agents from each agency jointly conduct on-site investigations of businesses by interviewing owners, managers, and workers to determine if businesses are in compliance with payroll tax, labor, and licensing laws. To minimize the disruption of compliant businesses, EETF conducts investigations only if there is reasonable belief of violations of the CUIC, Labor Code, and/or the Business and Professions Code.

A system for identifying businesses that are suspected of operating in the underground economy has been designed and implemented. There are four major sources of leads: hotline numbers, other government agencies, industry sources, and EETF staff. Separate, statewide hotline numbers were published and advertised for the construction industry and the automotive repair industry. One statewide hotline number was established for all other industries.

The EETF has established close ties with CSLB, Bureau of Automotive Repair (BAR), Bureau of Security and Investigative Services, and Bureau of Home Furnishings & Thermal Insulation, all within DCA. We have developed cooperative liaisons with the Public Utilities Commission and BOE and have also networked with many local law enforcement agencies in their various programs involving vice, automotive theft, and problem-oriented policing.

One of our most effective partnerships continues to be the joint enforcement effort with the Department of Alcoholic Beverage Control (ABC), BOE, and local law enforcement. Our partnership began in early 1995, with ABC and local law enforcement agencies selected to receive State grants from the Grant Assistance Program (GALE) for Local Law Enforcement. This program was subsequently renamed the Grant Assistance Program (GAP) for Local Law Enforcement. The focus of GAP is to provide funds to help in reducing the amount of crime committed in neighborhoods and business districts where alcohol is a factor. The GAP Program targets licensees who allow criminal activities to take place in or around their premises. The grants are designed to enhance the State and local partnership in dealing with alcohol-related crimes and to encourage the development of new, more efficient methods for enforcing the State's liquor laws that can be adopted by other law enforcement agencies. The early success of our

joint enforcement efforts with ABC, BOE, GALE, and subsequently GAP grantees, resulted in other non-GAP local law enforcement agencies asking to be involved with EETF and ABC in joint operations. These operations not only addressed alcohol-related crimes but other policing problems such as vice and money laundering. Table 1 shows the EETF results for the last four years. See Attachment A for detailed information on EETF program results.

Table 1

Employment Enforcement Task Force

	2000	2001	2002	2003
Investigations	394	626	635	582
Audit Referrals	257	487	533	460
Labor Code Citations	\$2,102,756	\$3,371,680	\$3,371,050	\$3,078,300
Audits Completed	369	370	552	408
Audit Assessments	\$6,459,041	\$7,500,116	\$10,293,856	\$7,558,369

Construction Enforcement Project (CEP)

The CEP was established because the on-site investigation technique used by EETF for identifying tax and employment fraud, while effective in most industries, was not as effective in the construction industry. Unlike other industries, which have permanent business locations, construction businesses frequently change job sites. By the time information is developed that a contractor is probably operating in the underground economy, work at the job site has often been completed, and an on-site inspection would not discover any labor law violations.

Our investigative experiences have indicated there are two types of contractors operating in the underground economy. The first type is a licensed or unlicensed specialty contractor with a relatively small operation. This contractor typically has one or two full-time employees plus additional seasonal workers. This employer is usually not registered with EDD and does not provide Workers' Compensation Insurance coverage. The workers are usually paid in cash without deductions, and no payroll taxes are paid. The amount of unpaid taxes attributable to one of these employers is relatively small, but the amount of unpaid taxes attributable to these employers as a group represents a significant amount of the underground economy in the construction industry.

The second type of contractor is typically registered with EDD and provides Workers' Compensation Insurance coverage but only reports and pays payroll taxes on a portion of the workforce. These contractors attempt to appear legitimate and often use sophisticated schemes to hide the unreported payroll in the records. Experience shows these contractors are most commonly engaged in single-family, residential construction. Individually, the amount of unpaid payroll taxes is often high, and collectively, this group constitutes the largest segment of underground activity in the construction industry.

The CEP began as a nine-month pilot project in the Sacramento area on July 1, 1994. The purpose of the pilot was to determine if new investigation and audit techniques would successfully detect contractors in the underground economy. During the test, a variety of innovative and nontraditional techniques were used to identify contractors avoiding payroll taxes. If a CEP investigator developed evidence of underground economy activities, a payroll tax audit referral was made to the EDD Audit Program for a special underground economy audit.

The CEP pilot resulted in the completion of 79 payroll tax audits with assessments for unpaid payroll approximately four times greater than audit assessments using traditional techniques. The pilot was considered successful, and CEP was expanded statewide as of December 31, 1995.

Experience during and after the pilot indicated CEP investigators need to become familiar with and learn as much as possible about how business is conducted in the construction industry. As a result, EDD auditors work closely with legitimate contractors, suppliers, and labor organizations to become experts in industry practices and typical schemes.

The CEP goal is to develop techniques that will maximize the detection of construction industry employers operating in the underground economy. The EDD auditors continuously update their knowledge and understanding of common business practices, terminology, typical ratios of material purchases to labor costs, and any other technical information unique to the construction industry. Table 2 shows the CEP results for the last four years. See Attachment B for detailed information on CEP program results.

Table 2

Construction Enforcement Project

	2000	2001	2002	2003
Audit Referrals	65	372	277	293
Audits Completed	129	235	329	268
Audit Assessments	\$12,649,766	\$11,912,662	\$15,852,577	\$12,387,778
Average Assessment Per Audit	\$98,060	\$50,692	\$48,184	\$46,223

Janitorial Enforcement Project (JEP)

The EDD became aware of worker abuses in the janitorial industry in 1998 due to complaints filed by competitors citing unfair competition with cash pay janitorial firms. In 1998, three underground economy janitorial businesses were audited, and in 1999, 16 additional underground economy janitorial businesses were audited. In total, all 19 businesses were assessed \$3,853,054 in unpaid payroll taxes plus penalty and interest charges. In addition, 598 unreported employees were discovered.

The results of the UEO work in 1998 and 1999 proved that significant noncompliance with the tax laws existed in the janitorial industry in Southern California. Therefore, additional staff were assigned to the project. The UEO identified all the major janitorial companies in Southern California, identified the typical schemes used to avoid payroll taxes, and developed working relationships with the Pacific Association of Building Service Contractors, the Maintenance Cooperation Trust Fund, and the Service Employees International Union. These organizations are all interested in cleaning up the janitorial industry and have been very supportive.

Assembly Bill 613 (Chapter 299, Statutes of 1999) required the Strike Force to include the janitorial and building maintenance industry as a targeted industry beginning in SFY 2000/01. To meet this requirement, EDD initiated JEP in October 2000. The Strike Force used SFY 1998/99 experience in Southern California as a model to develop an approach to determine the level of noncompliance in the janitorial industry throughout California.

The EDD has identified two types of noncompliance in the janitorial industry. One type is unintentional noncompliance where janitorial businesses honestly consider their workers to be legitimate independent contractors. These workers are typically issued a Form 1099 each calendar year, thus leaving a discovery trail for audit staff. In these instances, it is rare that fraud or intent to evade the provisions of the CUIC is found. When EDD encounters this type of situation and determines the workers were in fact common law employees, it is considered a legitimate status issue.

The second type of noncompliance is intentional nonreporting based on a scheme to avoid payroll taxes, labor laws, and Workers' Compensation Insurance premiums. A typical scheme is the payment of wages in cash without documentation. These payments will rarely be found in any business records. While the janitorial industry covers the whole spectrum of business types (office buildings, retail and wholesale establishments, department stores, etc.), we have discovered this scheme most frequently in large grocery and department stores where the contract calls for cleaning and waxing the floors on a regular basis. Typically, the workers do not know whom they work for and usually report to and are paid by a crew leader, foreman, or a subcontractor. In most cases, the actual employer is one or two steps removed from the entity actually contracting with the store for cleaning services. This makes it more difficult for enforcement agencies to identify the true employer. Table 3 shows JEP results for the last four years. See Attachment C for detailed information on JEP program results.

Table 3

Janitorial Enforcement Project

	2000	2001	2002	2003
Audit Referrals	9	74	41	26
Audits Completed	9	74	82	31
Audit Assessments	\$325,813	\$4,082,018	\$5,625,008	\$1,387,451
Average Assessment Per Audit	\$36,201	\$55,162	\$68,598	\$44,756

Targeted Industries Partnership Program (TIPP)

The TIPP was established in 1992 as a multi-agency enforcement and educational program targeting the garment manufacturing and agricultural industries. Strike Force staff from EDD was added to TIPP in 1996. These are industries that have a history of labor law and payroll tax violations. The original TIPP partners include the United States DOL, Wage and Hour Division; DIR, DLSE; and Division of Occupational Safety and Health. The EDD's participation in TIPP has been limited primarily to the garment manufacturing industry. Table 4 shows the TIPP results for the last four years. See Attachment D for detailed information on TIPP program results.

Table 4

Targeted Industries Partnership Project

	2000	2001	2002	2003
Investigations	57	150	158	128
Labor Code Citations	N/A	\$526,750	\$705,950	\$626,152
Audit Completed	74	134	148	149
Audit Assessments	\$2,982,986	\$5,093,859	\$4,666,883	\$7,778,466

SUMMARY OF INFORMATION REQUIRED BY SECTION 329 OF THE CUIC

This section includes information regarding blatant violations, publicity, hotlines, information sharing, and cooperation as mandated by Section 329 of the CUIC.

Blatant Violations

The Strike Force has defined blatant violations as the most egregious cases where the payment of unreported wages were made to evade labor, licensing, and tax laws. In all cases, citations were issued by DLSE for the payment of wages without issuing the required payroll deduction statements and/or failure to provide workers with Workers' Compensation Insurance coverage, and fraud or intent to evade determinations were made by EDD.

The Strike Force concentrates on implementing joint enforcement projects, which focus on administrative and civil, rather than criminal resolution. The EETF uncovered the following number of blatant violations in 2003:

- The EETF issued Labor Code citations to 152 businesses for a total of \$1,212,150 for paying wages in cash without making the required payroll deductions.
- The EETF issued Labor Code citations to 362 businesses for a total of \$1,709,000 for failure to provide 2,017 workers with Workers' Compensation Insurance coverage.

The following examples of blatant violations detected by the Strike Force include the most flagrant cases, cases where new and unique schemes used by businesses to evade employment tax laws were discovered, and where fraud or intent to evade determinations was made by EDD:

Southern California Area

- A Los Angeles restaurant and cafe was investigated by EETF as a result of wage claims filed with DLSE alleging cash payment of wages. The initial screening indicated the employer registered with EDD in 1998 but failed to report wages for the last two years and did not have a Workers' Compensation Insurance policy. The inspection identified 13 unreported employees who were paid weekly by check but did not receive a deduction statement. No cash wage payments were found. The DLSE issued citations in the amount of \$15,000 to the owner for failure to have a valid Workers' Compensation Insurance policy, \$12,500 for paying wages to employees without providing a deduction statement, and \$3,950 for not paying overtime to the workers. The EDD audit revealed unreported wages of \$181,414 paid to 90 workers, and the employer was assessed \$35,581 for unpaid employment taxes, penalties, and interest.
- A Los Angeles garment manufacturer specializing in women's fashions was investigated by TIPP as a result of discrepancies in the employer's reporting of wages to EDD. The TIPP investigation revealed payments made to some of the workers were in cash without payroll deductions. During the inspection, TIPP agents discovered a notebook the workers signed when paid in cash by the owner. The DLSE issued a citation in the amount of \$1,250 for paying cash wages without a deduction statement and \$900 for inadequate records kept by a garment business. The EDD audit confirmed the owner attempted to conceal the correct amount of cash wages paid to the workers by

hiding the notebook. The audit revealed the owner failed to report wages of \$690,203 and was assessed \$64,768 for unpaid employment taxes, penalties, and interest.

- A La Mirada general building contractor specializing in underground pipe construction was investigated by CEP as result of an anonymous complaint filed by a former employee. The former employee claimed the contractor paid cash wages to workers without deductions taken from their pay. The former employee also identified numerous school district jobs sites where the contractor performed services. The CEP investigation revealed the contractor had been operating under a number of related businesses and performed numerous public works jobs since 1997, without reporting any workers to EDD. During the EDD audit, the contractor stated all workers including foremen, supervisors, administrative staff, clerical staff, and construction labor were issued a Form 1099 at the end of each calendar year. However, further verification through the audit process revealed that no Forms 1099 were issued by the contractor. The EDD audit revealed the owner had unreported wages of \$2,826,917 for 120 workers and was assessed \$648,236 for unpaid employment taxes, penalties, and interest.
- A Long Beach concrete and masonry business was investigated by EETF as a result of information received from CSLB. The contractor told CSLB that she did not operate a business, but that she loans out her contractor's license to friends and relatives. The investigation revealed the workers worked for the owner of the business and not any of her friends or relatives. The investigation also revealed the owner filed an income tax return declaring business income and deductions for each year in question. The investigation identified at least three unreported workers. The DLSE issued a citation in the amount of \$3,000 for failure to have a valid Workers' Compensation Insurance policy. The EDD audit revealed the owner had unreported wages of \$128,415 and was assessed \$35,567 for unpaid employment taxes, penalties, and interest charges.
- A Northridge garment-manufacturing business specializing in women's apparel was investigated by TIPP as a result of information received indicating the employer was not reporting all of his workers to EDD. The business had registered with EDD in 1999 and consistently reported only one worker. During the inspection, TIPP agents interviewed 19 workers, who reported that the owner paid them in cash without deductions. The EDD audit revealed the owner failed to report \$955,500 in wages and was assessed \$219,391 for unpaid employment taxes, penalties, and interest.
- A Garden Grove residential landscaping business was investigated by EETF as a result of information showing the entity was not reporting all of the workers' wages to EDD. The business had registered with EDD in 1993. At the time of the inspection, the owner stated that he completed all of the work himself without any workers to assist him. However, two workers interviewed during the inspection stated that they received cash payments from the owner without a deduction statement. The EDD audit revealed the owner failed to report wages of \$308,501 and was assessed \$86,836 for unpaid employment taxes, penalties, and interest.
- A Hollywood fire protection contractor was investigated by CEP as a result of information provided by a labor organization. The labor organization shared documentation that the contractor paid cash wages to laborers and did not file correct returns with EDD. The contractor had previously been assessed by EDD for the same type of allegations and misclassification of workers. The CEP investigation revealed that the employer greatly underreported its workforce to EDD and had continued to utilize the services of the same laborers found misclassified in the previous EDD audit. The subsequent EDD audit revealed unreported wages of \$2,681,710 paid to 46 unreported

employees. The contractor was assessed \$465,698 for unpaid employment taxes, penalties, and interest.

- A Los Angeles garment-manufacturing business specializing in women's apparel was investigated by TIPP based on information provided by DLSE. A review of EDD records and the Los Angeles County Health Services (LACHS) inspection records determined that the business was underreporting the number of workers to EDD. The business had registered with EDD in 2001. The owner admitted during the inspection paying the workers in cash and check and not making deductions from the cash pay. Furthermore, only 22 workers were reported to EDD, and another 15 workers were paid in check without deductions. The TIPP agent interviewed 51 workers and found that the owner did not issue a Form 1099 or Form W-2 to the cash pay workers. The DLSE issued citations in the amounts of \$9,500 for paying workers in cash without deduction statements and \$1,300 for not keeping adequate records required by a garment manufacturer. The EDD audit revealed the owner failed to report wages of \$502,473 and was assessed \$58,430 for unpaid employment taxes, penalties, and interest.
- A Riverside landscape contractor was investigated by CEP based on information provided by the Southern California County Workforce Development Center indicating an ex-employee worked for the contractor and received cash wages without deductions. The ex-worker was interviewed during the investigation and stated that his former employer specialized in patio, cement, and masonry landscaping. The ex-worker also stated the contractor was operating year round since 1994, utilized six full-time laborers, and paid all the workers in cash. During the EDD audit, the contractor informed the auditor that he never employed workers. However, when the contractor was confronted with the worker's allegations, he admitted to utilizing "day laborers" on occasion. The records reviewed during the EDD audit validated the allegation of the ex-employee. The EDD audit revealed the owner failed to report wages of \$967,200 and was assessed for \$324,180 in unpaid taxes, penalties, and interest.
- A Rowland Heights garment manufacturer was investigated by TIPP as part of a labor compliance sweep initiated by DLSE. Initial screening determined the business failed to report wages in six of the eight quarters in 2002 and 2003. The business had registered with EDD in 1999. The TIPP agents interviewed 26 workers during the inspection, who stated that the owner paid some of them partially by check with deductions and the remaining payments in cash without deductions. The other workers were paid in cash without deductions. The business operated in a large room with 55 sewing machines and 7 garment presses. The EDD audit revealed the owner failed to report \$2,065,090 in wages and was assessed \$188,307 for unpaid employment taxes, penalties, and interest.
- A San Diego retail automotive stereo and alarm firm was investigated by EETF as a result of an anonymous lead alleging workers were paid in cash, were not paid overtime, and did not have Workers' Compensation Insurance coverage. The business registered with EDD in 1999 and has five locations. The investigation discovered some of the workers were paid in cash while other workers were paid by payroll check. In addition, all bonuses were paid in cash. The cash payments did not have deductions withheld, and these amounts were not reported to EDD. There were 20 workers interviewed during the inspection, and the workers corroborated the fact that much of their payroll was paid in cash. The DLSE issued citations in the amounts of \$21,000 for failure to have a valid Workers' Compensation Insurance policy and \$66,000 for paying workers in cash without

providing a deduction statement. The EDD audit revealed the owner had unreported wages of \$2,157,606 and was assessed \$507,960 for unpaid employment taxes, penalties, and interest.

- A Long Beach contractor was investigated by CEP as a result of information received from a former employee alleging he was paid by check with taxes taken from his pay, but his employer was not reporting the taxes to EDD. The former employee provided copies of canceled checks that illustrated tax withholdings for EDD purposes and identified several of the employer's job sites, which included public works jobs. The certified payroll returns associated with the public works jobs were examined and revealed the contractor did not report five of the nine workers to EDD. The CEP investigation disclosed the employer's foreman acted as a "labor broker" and received checks from the contractor, cashed the checks, and paid the workers with the laundered cash. The EDD audit revealed unreported wages of \$1,018,863 and issued an assessment to the employer totaling \$280,731 including tax liability, penalties, and interest.
- A garment manufacturer in Los Angeles was investigated by TIPP based on information provided by DLSE. A review of EDD records and LACHS inspection records determined the business was underreporting the number of workers to EDD. The TIPP agents interviewed 88 workers during an on-site inspection at the place of business. It was determined the workers were paid in cash without receiving payroll deduction statements. The employer admitted making the cash wage payments when interviewed. The DLSE issued a Labor Code citation in the amount of \$2,600 for paying wages in cash without issuing a payroll deduction statements. In a follow-up payroll tax audit by EDD, the auditor found \$5,491,909 in unreported wages resulting in an assessment of \$770,876 for unpaid employment taxes, penalties, and interest.
- An automotive muffler business in Tarzana was investigated by EETF based on a lead that the owner had workers who were not reported for payroll tax purposes to EDD. The business was registered as an active employer with EDD from 1962 until 1999 when it was deleted as an active employer. Workers interviewed during an on-site inspection admitted they were paid in cash. A Labor Code citation was issued for failure to have Workers' Compensation Insurance coverage, and an EDD payroll tax audit was initiated. The EDD audit revealed unreported wages of \$467,350, and the employer was issued an assessment totaling \$95,330 for unpaid employment taxes, penalties, and interest.
- A swimming pool contractor in the city of Norco was investigated by CEP based on information received from CSLB that the contractor paid workers in cash for overtime work. The CSLB provided Bankruptcy Court transcripts showing the contractor admitted in his testimony that he had paid overtime in cash and failed to report these wages to EDD as payroll. A follow-up EDD payroll tax audit resulted in an assessment for unpaid employment taxes, penalties, and interest in the amount of \$246,905 for failure to report overtime cash pay.
- A janitorial industry compliance organization, the Maintenance Cooperation Trust Fund, provided JEP with documentation that a Cerritos janitorial firm paid some workers in cash without issuing payroll deduction statements. This business had been registered with EDD as an employer and was found to have filed deficient payroll tax returns since 1988. Two workers interviewed by JEP investigators stated they were paid in cash and had not been provided with a payroll deduction statement or Form 1099 by the employer. A follow-up payroll tax audit by EDD found the employer maintained time sheets for the cash pay workers. The employer was issued an assessment totaling \$45,924 for unpaid employment taxes, penalties, and interest.

Northern California Area

- A contractor was investigated by EETF as a result of 23 complaints filed with DLSE by former and current workers alleging the owner paid the workers in cash, made payroll tax withholdings, and did not remit the funds to EDD. The contractor was participating in the construction of a resort hotel in the Lake Tahoe area. The EETF investigators interviewed 28 employees during the inspection, who validated receiving cash pay without deductions. The DLSE issued a citation in the amount of \$42,000 to the employer for failure to issue itemized deduction statements. An EDD audit revealed that the employer reported only 25 percent of his actual payroll and had failed to report wages in the amount of \$6,199,138 paid to 30 construction workers. The employer was assessed \$1,386,746 for unpaid employment taxes, penalties, and interest.
- A Saratoga construction company was investigated by CEP as a result of information provided by a plumbers' union in the Bay Area, which alleged the employer had paid cash wages to laborers and had not reported the wages to EDD. The CEP investigation disclosed the officers of the construction company were involved with several other corporations, including companies with the same name but different addresses in California and Nevada. Research also identified several schemes that were used by the employer to avoid reporting workers. This included cash payments to workers, sharing business names of other companies, and giving false out-of-state addresses to elude contact with regulatory agencies. The EDD audit revealed that there were no related Nevada operations, and the audit resulted in \$414,901 in unreported wages for 16 unreported workers. The employer was assessed \$73,563 in unpaid employment taxes, penalties, and interest.
- A Fresno trucking company was investigated by EDD as a result of information provided by DLSE alleging unreported wages to workers of the trucking company. Some of the truck drivers also filed unemployment insurance claims with EDD for services they performed for the trucking company. The investigation revealed the business had been operating under multiple entity types since 1995 without reporting any workers to EDD, except for three quarters in 1999. The company kept changing from one entity type to another (sole proprietorship to a partnership to a corporation) in an attempt to conceal the identity of the correct owner. The audit resulted in unreported wages of \$1,484,624 for 147 unreported employees. The employer was assessed \$321,221 in unpaid employment taxes, penalties, and interest.
- A San Joaquin County restaurant was investigated by EETF as a result of information indicating the business was not reporting workers to EDD. The entity was operating restaurants in two locations and did not have a Workers' Compensation Insurance policy. The employer registered with EDD in 1998 and reported wages for four employees through the third quarter of 2001. The inspection revealed five unreported employees, who were paid in cash on a weekly basis and were not reported to EDD. The DLSE issued a citation in the amount of \$5,000 for failure to have a Workers' Compensation Insurance policy. An EDD audit determined that the employer failed to report \$108,101 in wages, and the employer was assessed \$13,726 for unpaid employment taxes, penalties, and interest.
- A Fresno security guard business was investigated by EETF as a result of information provided by several former employees alleging the business paid cash wages and did not pay overtime wages. The employer registered with EDD in 1999 and reported wages for 18 employees up until the second quarter of 2001. The inspection revealed the business issued payroll checks every 2 weeks to 11 workers. The employer acknowledged paying the workers by check and providing them with an

itemized deduction statement and not reporting the workers to EDD. The DLSE issued a citation in the amount of \$11,000 for failure to have a Workers' Compensation Insurance policy. The EDD audit revealed that the employer failed to report \$277,831 in wages paid to 35 employees. The employer was assessed \$55,682 for unpaid employment taxes, penalties, and interest.

- A Clovis landscaping business was investigated by JESF as a result of information obtained from DLSE indicating there were nine wage claims filed alleging nonpayment of wages due. The JESF investigation disclosed that the majority of the workers were paid by check without deductions and were not reported to EDD. This was validated with interviews with several workers who had filed wage claims for back wages or overtime wages with DLSE. A subsequent EDD audit revealed that the employer did not maintain records that detailed the owner's exact business activity or wages paid to the unreported workers. The audit resulted in unreported wages of \$87,629 paid to 47 employees. The employer was assessed \$58,939 in unpaid payroll taxes, penalties, and interest.
- A San Francisco car wash was investigated by EETF based on a hotline lead from an anonymous informant alleging cash payment to workers. The business was registered with EDD but last reported wages for three employees in the third quarter of 2001. In addition, the business did not have a Workers' Compensation Insurance policy. The inspection identified six unreported employees receiving cash payments. The DLSE issued a citation in the amount of \$6,000 for failure to have a Workers' Compensation Insurance policy. The EDD audit determined that the employer failed to report \$149,760 in wages and was assessed \$36,798 for unpaid employment taxes, penalties, and interest.
- A San Jose sports bar and restaurant was investigated by EETF as a result of information provided by the San Jose Police Department. In addition to allegations of illegal activity at the location, the business was alleged to have unreported workers who were paid by cash without deductions. Initial screening indicated the employer was not registered with EDD and did not have a Workers' Compensation Insurance policy. The inspection discovered timecards for 15 part-time workers, and the owner acknowledged not reporting these and other workers to EDD. The DLSE issued two citations to the employer in the amounts of \$10,000 for failure to have a Workers' Compensation Insurance policy and \$12,250 for failure to issue itemized deduction statements. An EDD audit revealed that the employer failed to report \$206,378 in wages paid to 87 employees. The employer was assessed \$46,495 for unpaid employment taxes, penalties, and interest.
- A Fresno landscaping company was investigated by JESF based on information received from an ex-worker who had filed a wage claim with DLSE. An initial review determined the employer was registered with EDD, but his account was inactivated as of March 31, 2000, as out-of-business. The JESF agent interviewed the ex-worker who stated he had worked for the business from February 23, 2001, through August 27, 2001, and was paid in cash weekly without deductions. The JESF investigation verified that the employer continued to pay at least five workers to perform services for commercial clients after the out-of-business date. The company obtained landscaping contracts, hired workers, paid cash to those workers, avoided overtime pay, and failed to report the workers to EDD. The EDD audit resulted in \$125,820 of unreported wages, and the employer was assessed for \$31,720 in unpaid employment taxes, penalties, and interest.
- Three Oroville area restaurants were investigated by EETF as a result of information provided by a former employee. The former employee provided documentation indicating cash payments paid to workers of the restaurants. The EETF investigators visited all three restaurants and verified all of

the locations were in operation and identified the number of workers at each location. Interviews with seven workers determined they were paid in cash without deduction statements. The DLSE issued two citations to the employer in the amount of \$7,000 for failure to have a Workers' Compensation Insurance policy and \$39,000 for failure to issue itemized deduction statements. The EDD audit revealed that the employer failed to report \$328,877 in wages paid to 50 employees. The employer was assessed \$48,929 for unpaid employment taxes, penalties, and interest.

JESF Joint Criminal Prosecution

The Strike Force refers cases to members' criminal investigation organizations for potential criminal prosecutions. The JESF member agencies prosecuted the following cases for criminal activities:

- Christie Chung, owner of 101 Roofing Inc., pled guilty in June 2003 to 30 felony counts of payroll tax fraud, tax evasion, occupational safety and health violations, and manslaughter following a joint investigation with FTB, DOI, and EDD. Mr. Chung paid his workers in undocumented cash and failed to provide Workers' Compensation Insurance coverage for these workers. The investigation also revealed that during work at a job site, an employee fell from a roof to his death. The owner was sentenced by the San Francisco County Superior Court to three years State prison as well as restitution to the agencies in the amount of \$2,919,072. The roofing contractor's license was revoked, and the owner was barred from conducting further business.
- Michael Eberle and his wife, Kay Eberle, owners of Carlsbad Framing, were convicted on March 12, 2003, for Workers' Compensation Insurance premium fraud, payroll tax fraud, and occupational safety and health standards violations. These convictions were a result of a joint criminal investigation by EDD, DOI, SCIF, CSLB, and the San Diego County District Attorney. The Eberles paid part of their payroll in undocumented cash and failed to report these payments for payroll tax purposes and to their Workers' Compensation Insurance carrier. Mr. Eberle was sentenced to one year, and Kay Eberle was sentenced to three years in county jail. Mrs. Eberle's sentence was suspended as long as she continues to make regular monthly restitution payments, which to date have totaled \$112,350.
- Bruce W. McDowell and Terry L. Eisenhart, owners of Framing Associates, pled guilty on August 14, 2003, to Workers' Compensation Insurance premium fraud, payroll tax fraud, and various Labor Code violations. These guilty pleas were a result of a joint criminal investigation by EDD, DOI, SCIF, CSLB, and the San Diego County District Attorney. The owners of Framing Associates paid part of their payroll in undocumented cash and failed to report these payments for payroll tax purposes and to their Workers' Compensation Insurance carrier. Mr. McDowell and Mr. Eisenhart were both sentenced to five years summary probation and ordered to pay restitution in the amount of \$84,918.
- Sidney Lawson Stone, the owner of Sid Stone Construction, pled guilty on November 17, 2003, to payroll tax fraud, conspiracy, and tax evasion. These guilty pleas were a result of a joint criminal investigation by EDD, DOI, SCIF, CSLB, and the San Diego County District Attorney. Mr. Stone paid part of his payroll in undocumented cash and failed to report these payments for payroll tax purposes and to his Workers' Compensation Insurance carrier. Mr. Stone was sentenced to five years formal probation and ordered to pay restitution in the amount of \$125,000.

Publicity

Internet Site

In the spring of 2001, EDD designed and implemented an Internet Web page to publicize the activities of EDD's UEO Program as well as JESF. The Web page, www.edd.ca.gov/txueoind.htm, provides easy public access to the UEO hotline telephone number and email address for reporting suspected violations of tax, labor, and licensing laws. Information within the Web page provides a description of the underground economy and an explanation of what the costs are to the taxpaying public to provide the user with an understanding of the importance of combating underground economy activity. Since March 2001, the UEO Web page has been accessed approximately 47,000 times. During 2003, the UEO Web site has been accessed 17,109 times.

Presentations

The Strike Force actively pursues opportunities to make presentations to a variety of public and private groups and any other organization that may have an interest in the efforts to combat the underground economy. The purpose of these presentations is to educate the public about the mission of the Strike Force, publicize its accomplishments, heighten awareness of the types of services available from the Strike Force, and to solicit cooperation in Strike Force efforts. These presentations emphasize the need to eliminate unfair competition, the need to ensure that employees are provided the benefits to which they are legally entitled, the adverse impact the underground economy has on government revenue, and the value of partnering to effectively utilize limited resources.

In addition to making these types of presentations, in 2003, Strike Force staff focused on networking with officials from business associations, labor organizations, local law enforcement agencies, and other governmental agencies for purposes of describing our program and soliciting investigative leads. In 2003, meetings, networking, presentations, and joint projects were conducted with over 200 entities representing federal, State, local government, local law enforcement, labor organizations, and private sector businesses and organizations. For a list, please refer to Attachment E.

Hotlines

Section 329 of the CUIA empowers the Strike Force to establish procedures for soliciting referrals from the public, including, but not limited to, an advertised telephone hotline. The following hotlines are operating for the public to report violations of tax, labor, and licensing laws:

- In an effort to improve customer service and make it easier for the public to report violations of tax, labor, and licensing law, the Strike Force established a toll-free hotline in 1997. The number is (800) 528-1783. This number can be reached 24 hours a day, 7 days a week. Outside of business hours, an automated voice mail system answers the phone and records both messages and lead information.
- The BAR established a hotline for California residents to report violations of tax laws, labor laws, and other questionable business practices by automotive repair shops. The BAR staff screen calls and prepare special lead referral forms, which are forwarded to the appropriate Strike Force member agencies. The statewide number is (800) 952-5210.

- The CSLB established two hotline numbers in the State for reporting contractors who operate without a license, avoid payroll or income taxes, pay cash wages without a deduction statement, fail to pay minimum wage, or fail to provide Workers' Compensation Insurance coverage. The number for Northern California is (916) 255-2924. The number for Southern California is (562) 466-6017.
- The BOE can be reached to report tax evasion on their Tax Evasion Hotline at 1-888-334-3300.

Information Sharing

One Strike Force purpose is to facilitate and encourage the development and sharing of information necessary to combat the underground economy. Staff from member agencies regularly share information and plan and coordinate Strike Force activities.

Strike Force staff have access to the databases of EDD, CSLB, FTB, BOE, Department of Motor Vehicles, Secretary of State, Workers' Compensation Insurance Rating Bureau, and DIR registration files. These databases are used by staff to develop and screen leads for possible investigation.

Underground economy businesses constantly develop new schemes to avoid detection of their illegal activities. As these new schemes are identified, information regarding the schemes is shared with member agencies, business associations, and labor organizations. There is an ongoing need for Strike Force staff to be aware of the various types of schemes used in industries prone to underground economy activity. This knowledge facilitates the development of detection and enforcement techniques necessary to stop the illegal activities.

Partnerships among member agencies to improve information sharing have been established outside the umbrella of the Strike Force. These efforts are long-range projects to enhance information sharing, increase taxpayer access to information, reduce administrative burdens, increase the accuracy of data, and identify noncompliant industries. Strike Force staff are participating directly in many of these partnership projects and are closely monitoring all of these projects.

Cooperation

Cooperative efforts among Strike Force member agencies continue to evolve and grow stronger. The EDD, BOE, and FTB have formed a strategic tax partnership aimed at increasing the sharing of information, better coordination of tax planning and policy development, and improving the quality of services to the public. The operations of EETF have forged closer ties and improved coordination of enforcement activities among EDD, DIR, BOE, and DCA. Within DCA, the CSLB, BAR, and the Bureau of Security & Investigative Services have been active participants in EETF operations. These partnerships and joint operations have improved program results in all the participating agencies thereby providing the agencies with incentives for continuing cooperation and expansion of existing relationships.

In addition, relationships with other nonmember local, State, and federal agencies have improved. Joint operations are conducted on a regular basis with ABC and GAP local law enforcement participants. As a result of the success of joint ABC, EDD, DIR, and GAP operations, additional local law enforcement agencies throughout the State have requested the services of EETF. The EETF is also an active member of various local law enforcement task forces such as the Sacramento County Nuisance Response Team, Sacramento Valley Auto Theft Investigators, Southern California Employee Exploitation Task Force,

and the City of Oakland's Alcoholic Beverage Action Team. As additional industries are added to the Strike Force target group, staff will liaison with the appropriate governmental agencies with regulatory or enforcement jurisdiction in those industries.

Strides have been made in increasing cooperation among all licensing, labor law, and employment tax enforcement agencies. A coordinated effort now exists that involves not only the Strike Force member agencies but also other local, federal, and State entities. Cooperative efforts are expected to continue and grow as the operations of the Strike Force become more successful and as other agencies become more aware that cooperative efforts breed success.

Employment Enforcement Task Force
Four-Year Operational Summary

Year	2000	2001	2002	2003	Grand Total
Total Investigations	394	626	635	582	2,237
Labor Code Citations	313	541	603	503	1,960
Labor Code Citation Amounts	\$2,102,750	\$3,371,680	\$3,371,050	\$3,078,300	\$11,923,780
Average Labor Code Citation Amount	\$6,718	\$6,232	\$5,590	\$6,120	\$6,084
EDD Audit Referrals	257	487	533	460	1,737
EDD Audits Completed	369	370	552	408	1,699
EDD Assessments	\$6,459,041	\$7,500,116	\$10,293,856	\$7,558,369	\$31,811,382
EDD Average Assessment	\$17,504	\$20,271	\$18,648	\$18,525	\$18,724
Previously Unreported Employees	3,886	4,618	4,098	3,553	16,155
Previously Unreported Wages	\$56,400,844	\$59,052,180	\$74,716,097	\$61,169,142	\$251,338,263

Construction Enforcement Project
Four-Year Operational Summary

Year	2000	2001	2002	2003	Grand Total
EDD Audit Referrals	65	372	277	293	1,007
EDD Audits Completed	129	235	329	268	961
EDD Assessments	\$12,649,766	\$11,912,662	\$15,852,577	\$12,387,778	\$52,802,783
EDD Average Assessment	\$98,060	\$50,692	\$48,184	\$46,223	\$54,946
Previously Unreported Employees	2,222	4,056	7,810	5,382	19,470
Previously Unreported Wages	\$63,302,346	\$88,202,554	\$126,284,798	\$99,071,093	\$376,860,791

Janitorial Enforcement Project
Four-Year Operational Summary

Year	2000	2001	2002	2003	Grand Total
EDD Audit Referrals	9	74	40	26	149
EDD Audits Completed	9	74	82	31	196
EDD Assessments	\$325,813	\$4,082,018	\$5,625,008	\$1,387,451	\$11,420,290
EDD Average Assessment	\$36,201	\$55,162	\$68,598	\$44,756	\$58,267
Previously Unreported Employees	337	3,230	3,739	1,654	8,960
Previously Unreported Wages	N/A	N/A	\$44,242,225	\$14,960,473	\$59,202,698

Targeted Industries Partnership Project
Four-Year Operational Summary

Year	2000	2001	2002	2003	Total
Total Investigations	57	150	158	128	493
Labor Code Citations	N/A	89	160	123	372
Labor Code Citation Amounts	N/A	\$526,750	\$705,950	\$626,152	\$1,858,852
Average Labor Code Citation Amounts	N/A	\$5,919	\$4,412	\$5,091	\$4,997
EDD Audit Referrals	57	130	135	121	443
EDD Audits Completed	74	134	148	149	505
EDD Assessments	\$2,982,986	\$5,093,859	\$4,666,883	\$7,778,466	\$20,522,194
EDD Average Assessment	\$40,311	\$38,014	\$31,533	\$52,204	\$40,638
Previously Unreported Employees	2,007	3,321	4,232	3,917	13,477
Previously Unreported Wages	\$25,507,787	\$57,163,210	\$43,993,530	\$57,204,869	\$183,869,396

N/A = Not available

Outreach, Education, and Networking Efforts

State Departments

Board of Equalization

California Arizona Nevada District Office

California Department of Food & Agriculture

California Highway Patrol, Major Accident Investigation Team

Department of Alcoholic Beverage Control

- ABC- Special Operations

Department of Conservation

Department of Consumer Affairs

- Bureau of Automotive Repair
- Bureau of Barbering and Cosmetology
- Bureau of Home Furnishings & Thermal Insulation
- Bureau of Medi-Cal Fraud & Elder Abuse
- Bureau of Security and Investigative Services
- Chiropractic Board
- Contractors' State Licenses Board
- Dental Board
- Division of Investigations

Department of Health Services

Department of Industrial Relations

- Division of Apprenticeship Standards
- Division of Labor Statistics and Research
- Division of Occupational Safety and Health
- State Compensation Insurance Fund

Department of Insurance

Department of Justice

- Bureau of Investigations
- Bureau of Medical Fraud & Elder Abuse
- Charitable Trust Division
- Division of Gambling

Department of Motor Vehicles

- Investigations Division

Department of Social Services

- Community Care Licensing Division
- Investigation Division

Franchise Tax Board

Governor's Medi-Cal Fraud Task Force

Horse Racing Board

Medical Board of California

Public Utilities Commission

- Household Movers

Sheriff's Departments

Kern County
Los Angeles County
Monterey County
Sacramento County
Santa Clara County
San Diego County
Stanislaus County

Police Departments

City of Anaheim
City of Bakersfield
City of Buena Park
City of Fresno
City of Fountain Valley
City of Garden Grove
City of Gilroy
City of Irwindale
City of Los Angeles
City of Los Gatos
City of Milpitas
City of Modesto
City of Orange
City of Sacramento
City of San Jose
City of San Luis Obispo
City of San Mateo
City of Santa Ana
City of Santa Clara
City of Stockton
City of Vallejo
City of Watsonville
City of Westminster

Union and Labor Organizations

Bricklayers Union Local 4
California State Council of Laborers
California State PIPE Trades Council
Carpenters Union
Cement Masons Union
Center for Contract Compliance
Coordinated Mechanical Public Works Compliance
Electrical Workers Union
Foundation for Fair Contracting
IBEW Local Union 1000 Electrical
Independent Roofing Contractors of California
International Brotherhood of Electrical Workers
International Brotherhood of Teamsters Union

International Union of Operating Engineers Local 3
International Union of Painters & Allied Trades Union, District Council 16
Korean Immigrant Workers Advocates
Laborers' California Organizing Fund
Labor Management Cooperation Committee California Drywall & Lathing Industry
Landscape/Irrigation Union Local 345
Los Angeles County Building & Construction Trade Council
Maintenance Cooperation Trust Fund
Northern California Carpenters
Northern California Electrical Constructions Industry
Operative Plasterers Union Local 200
Orange County Building & Construction Trade Council
Painters & Allied Trade District Council 36
Piping Industry Progress & Education Trust Fund
Representatives from Fresno Area Floor Covering Industry
Riverside / San Bernardino County Building & Construction Trades Council
Road Sprinklers Fitters Local 669
Roofers Union
San Francisco Building Trades Council
Sheet Metal Workers Local 206
Sheet Metal Workers Local 273
Southern California District Council of Laborers
Southern California Heat & Frost Insulators Asbestos Workers Apprenticeships Trust Public Works
Southern California Labor/Management Operating Engineers Contract Compliance
Southern California-Nevada Regional Council of Carpenters Local 2361/1506
Compliance
Southern California Painting, Drywall Finishers, Floor Layers and Glaziers Apprenticeship Trust Fund
Southwest Regional Council of Carpenters Local 803
Tile Setters Union
Ventura County Building & Construction Trades Council

Private Businesses/Organizations

California Association for Health Services at Home
City of Industry Chamber of Commerce

Other Governmental Organizations

Anaheim Unified School District
California Municipal Business Tax Association
Canada's Customs and Revenue Agency
City of Artesia
City of Bell Gardens
City of Bellflower
City of Capitola- Business Licensing Department
City of Cudahy
City of Downey
City of Fresno

City of Fullerton
 City of Garden Grove
 City of Glendora
 City of Hawaiian Gardens
 City of Industry
 City of Irwindale
 City of Lakewood
 City of La Canada-Flintridge
 City of La Habra
 City of La Mirada
 City of La Puente
 City of Los Angeles

- Attorney Office – Consumer Protection Division
- Housing Authority
- Community Development Agency
- Office of Contract Compliance

City of Modesto-Business Licensing Department
 City of Monrovia
 City of Montebello
 City of Monterey Park
 City of Paramount
 City of Pasadena
 City of Pico Rivera
 City of Rosemead
 City of Sacramento-Business Licensing Department
 City of San Dimas
 City of San Jose

- San Jose City Attorney Abate Enforcement Unit

City of San Leandro
 City of San Luis Obispo-Business Licensing Department
 City of San Gabriel
 City of San Marino
 City of Santa Barbara-Business Licensing Department
 City of Santa Cruz-Business Licensing Department
 City of Santa Fe Springs
 City of Sierra Madre
 City of South El Monte
 City of South Pasadena
 City of Stockton-Business Licensing Department
 City of Walnut Creek
 City of West Covina
 City of Ventura-Business Licensing Department
 City of Vernon
 City of Watsonville-Business Licensing Department
 City of Walnut Creek
 City of Whittier
 County of Alameda, Regional Auto Theft Task Force
 County of Calaveras Building Department

County of Los Angeles

- Community Development Commission, Labor Compliance Department
- Department of Health Services, Garment Inspection Program
- Department of Public Works

County of Monterey

- Building Department
- Recorder's Office

County of Sacramento, Public Works

County of Santa Barbara

- Business Licensing Department
- Recorder's Office

Santa Cruz County

- Building Department
- Recorder's Office

County of San Diego Health Department

County of San Joaquin

- Building Department
- Business Licensing Department
- Fire Department
- Recorder's Office

County of San Luis Obispo

- Building Department
- District Attorney's Office
- Recorder's Office

County of Santa Cruz, Gang Task Force

County of Ventura

- Area Housing Authority
- District Attorney
- Recorder's Office

Huntington Beach City School District

Huntington Beach Union High School

Internal Revenue Service

Long Beach Unified School District

Metropolitan Transportation Authority

Rowland Unified School District

Sacramento Regional Transit District

Santa Ana Unified School District

Santa Clara County District Attorney's Office

- Consumer Fraud Unit
- Regional Auto Theft Task Force
- Workers Compensation Fraud Unit

Stanislaus County District Attorney's Office

Temple City

United States Federal Government

- Department of Agriculture
- Department of Health & Human Services

- Department of Labor
- Department of Transportation



Arnold Schwarzenegger
Governor
STATE OF CALIFORNIA

Victoria L. Bradshaw
Acting Secretary
LABOR AND WORKFORCE DEVELOPMENT AGENCY

Herb K. Schultz
Acting Director
EMPLOYMENT DEVELOPMENT DEPARTMENT